

# JASPER COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2013

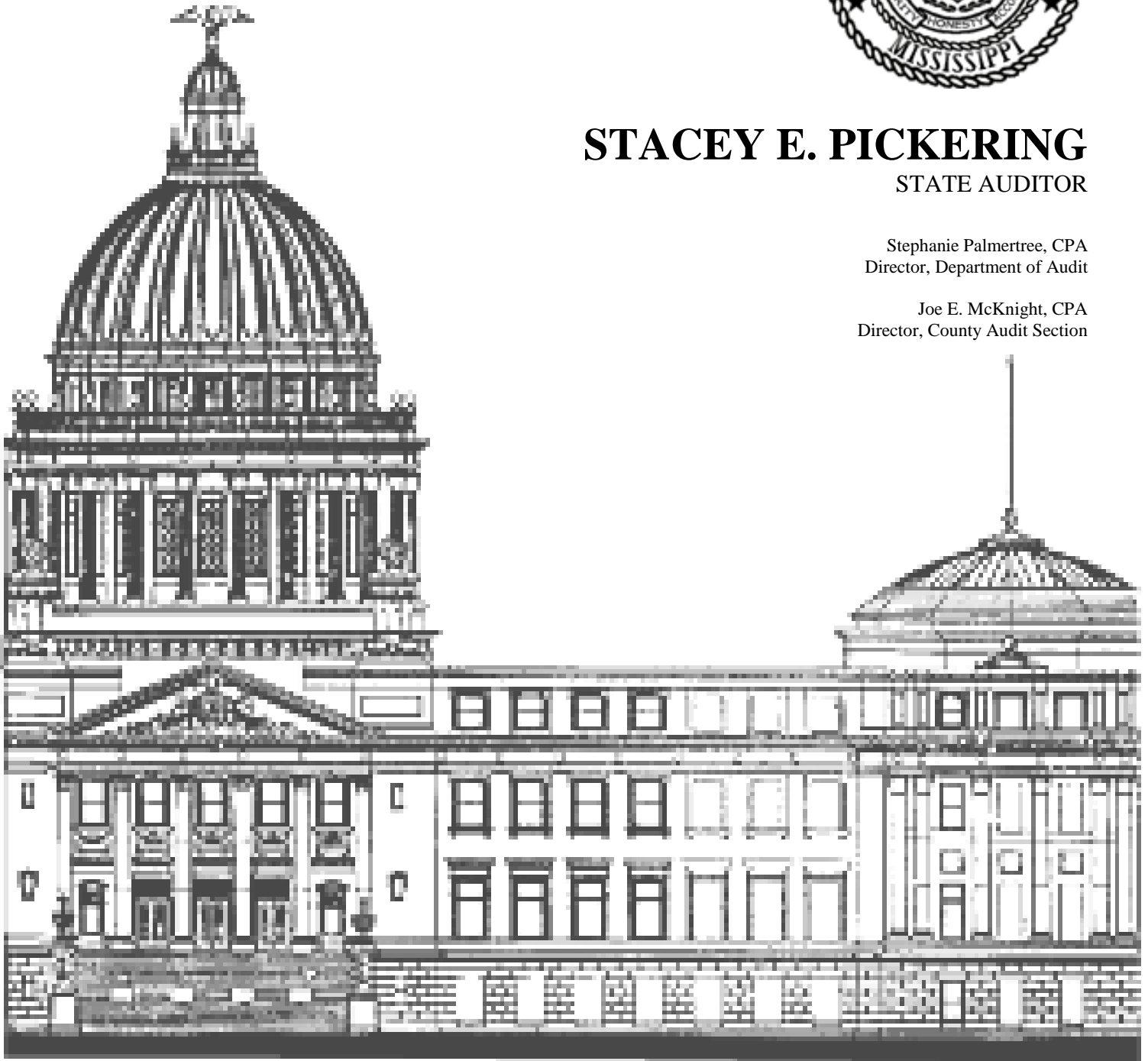


## STACEY E. PICKERING

STATE AUDITOR

Stephanie Palmertree, CPA  
Director, Department of Audit

Joe E. McKnight, CPA  
Director, County Audit Section



A Report from the County Audit Section

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

September 8, 2016

Members of the Board of Supervisors  
Jasper County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 financial and compliance audit report for Jasper County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Jasper County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Jasper County. If I or this office can be of any further assistance, please contact me or Joe E. McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering  
State Auditor



JASPER COUNTY

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JASPER COUNTY

FINANCIAL SECTION

JASPER COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Jasper County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jasper County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit**

The financial statements do not include financial data for the County's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component unit is not reasonably determinable.

### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of Jasper County, Mississippi, as of September 30, 2013, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Qualified Opinion on the Governmental Activities**

As discussed in Note 1 (I) to the financial statements, the County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets and, accordingly, has not recorded the appropriate depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that adequate records must be maintained to document the existence, completeness and valuation of capital assets including the County's infrastructure, and also that the depreciation on capital assets, including infrastructure, be adequately documented. The amount by which this departure would affect the assets and expenses on the governmental activities is not reasonably determinable.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Jasper County, Mississippi, as of September 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of Jasper County, Mississippi, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Omission of Required Supplementary Information**

Jasper County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Information***

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2016, on our consideration of Jasper County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jasper County, Mississippi's internal control over financial reporting and compliance.



JOE E. McKNIGHT, CPA  
Director, County Audit Section

September 8, 2016

JASPER COUNTY

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JASPER COUNTY

FINANCIAL STATEMENTS

JASPER COUNTY

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JASPER COUNTY  
Statement of Net Position  
September 30, 2013

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash	\$ 9,484,421	129,362	9,613,783
Property tax receivable	10,145,697		10,145,697
Accounts receivable (net of allowance for uncollectibles of \$636,264)		223,552	223,552
Fines receivable (net of allowance for uncollectibles of \$1,207,345)	159,199		159,199
Loans receivable	25,679		25,679
Capital leases receivable	1,902,416		1,902,416
Intergovernmental receivables	95,130		95,130
Other receivables	129,421		129,421
Internal balances	173,928	(173,928)	0
Deferred charges - bond issuance costs	109,030		109,030
Capital assets:			
Land and construction in progress	2,433,257		2,433,257
Other capital assets, net	17,099,394	1,477	17,100,871
Total Assets	<u>41,757,572</u>	<u>180,463</u>	<u>41,938,035</u>
<b>LIABILITIES</b>			
Claims payable	460,774	87,867	548,641
Intergovernmental payables	416,632		416,632
Accrued interest payable	39,015		39,015
Deferred revenue	10,362,423		10,362,423
Unearned revenue		2,540	2,540
Long-term liabilities			
Due within one year:			
Capital debt	1,650,526		1,650,526
Non-capital debt	13,402		13,402
Due in more than one year:			
Capital debt	6,246,795		6,246,795
Non-capital debt	109,859	800	110,659
Total Liabilities	<u>19,299,426</u>	<u>91,207</u>	<u>19,390,633</u>
<b>NET POSITION</b>			
Net investment in capital assets	11,635,330	1,477	11,636,807
Restricted for:			
Expendable:			
General government	120,040		120,040
Public safety	416,151		416,151
Public works	1,965,217	87,779	2,052,996
Culture and recreation	49,829		49,829
Economic development and assistance	2,307,102		2,307,102
Debt service	3,010,771		3,010,771
Unrestricted	2,953,706		2,953,706
Total Net Position	<u>\$ 22,458,146</u>	<u>89,256</u>	<u>22,547,402</u>

The notes to the financial statements are an integral part of this statement.

JASPER COUNTY  
Statement of Activities  
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,279,749	148,914	114,570		(3,016,265)		(3,016,265)
Public safety	2,121,474	346,700	131,145		(1,643,629)		(1,643,629)
Public works	6,962,328		655,242	1,871,230	(4,435,856)		(4,435,856)
Health and welfare	283,748		30,921		(252,827)		(252,827)
Culture and recreation	31,952				(31,952)		(31,952)
Education	46,946		46,946		0		0
Conservation of natural resources	47,921				(47,921)		(47,921)
Economic development and assistance	1,036,077		10,000	1,000,000	(26,077)		(26,077)
Interest on long-term debt	296,748				(296,748)		(296,748)
Total Governmental Activities	<u>14,106,943</u>	<u>495,614</u>	<u>988,824</u>	<u>2,871,230</u>	<u>(9,751,275)</u>		<u>(9,751,275)</u>
Business-type activities:							
Garbage and solid waste	<u>1,218,773</u>	<u>669,353</u>	<u>11,186</u>			<u>(538,234)</u>	<u>(538,234)</u>
Total Business-type Activities	<u>1,218,773</u>	<u>669,353</u>	<u>11,186</u>	<u>0</u>		<u>(538,234)</u>	<u>(538,234)</u>
Total Primary Government	<u>\$ 15,325,716</u>	<u>1,164,967</u>	<u>1,000,010</u>	<u>2,871,230</u>	<u>(9,751,275)</u>	<u>(538,234)</u>	<u>(10,289,509)</u>
General revenues:							
Property taxes					\$ 9,982,485		9,982,485
Road & bridge privilege taxes					227,256		227,256
In-lieu tax - Petal Gas					252,829		252,829
Grants and contributions not restricted to specific programs					3,012,986		3,012,986
Unrestricted interest income					45,188		45,188
Miscellaneous					120,123		120,123
Transfers					(450,000)	450,000	0
Total General Revenues and Transfers					<u>13,190,867</u>	<u>450,000</u>	<u>13,640,867</u>
Changes in Net Position					<u>3,439,592</u>	<u>(88,234)</u>	<u>3,351,358</u>
Net Position - Beginning					18,450,378	177,490	18,627,868
Prior period adjustments					568,176		568,176
Net Position - Beginning, as restated					<u>19,018,554</u>	<u>177,490</u>	<u>19,196,044</u>
Net Position - Ending					<u>\$ 22,458,146</u>	<u>89,256</u>	<u>22,547,402</u>

The notes to the financial statements are an integral part of this statement.

JASPER COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2013

Exhibit 3

	Major Funds				
	General Fund	Countywide Road Fund	Economic Development Trust Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 2,983,177	422,436	481,270	5,597,538	9,484,421
Property tax receivable	6,865,441	505,582		2,774,674	10,145,697
Fines receivable (net of allowance for uncollectibles of \$1,207,345)	159,199				159,199
Loans receivable			25,679		25,679
Capital leases receivable			1,902,416		1,902,416
Intergovernmental receivables	94,611			519	95,130
Other receivables	6,095			2,820	8,915
Due from other funds	132,519	5,002	3,241	56,711	197,473
Advances to other funds	209,214				209,214
Total Assets	\$ 10,450,256	933,020	2,412,606	8,432,262	22,228,144
<b>LIABILITIES</b>					
Liabilities:					
Claims payable	\$ 149,167	38,105		273,502	460,774
Intergovernmental payables	404,662				404,662
Due to other funds	60,761			18,451	79,212
Advances from other funds		45,011			45,011
Deferred revenue	7,024,640	505,582	1,902,416	2,774,674	12,207,312
Total Liabilities	\$ 7,639,230	588,698	1,902,416	3,066,627	13,196,971
<b>Fund balances:</b>					
Nonspendable:					
Advances	209,214				209,214
Restricted for:					
General government				120,040	120,040
Public safety				416,151	416,151
Public works		344,322		1,620,895	1,965,217
Culture and recreation				49,829	49,829
Economic development and assistance			510,190	111,222	621,412
Debt service				3,049,786	3,049,786
Unassigned	2,601,812			(2,288)	2,599,524
Total Fund Balances	\$ 2,811,026	344,322	510,190	5,365,635	9,031,173
Total Liabilities and Fund Balances	\$ 10,450,256	933,020	2,412,606	8,432,262	22,228,144

The notes to the financial statements are an integral part of this statement.

## JASPER COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2013

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 9,031,173
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$11,287,620.	19,532,651
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	159,199
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(8,020,582)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(39,015)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,685,690
Deferred charges - bond issuance costs	<u>109,030</u>
Total Net Position - Governmental Activities	\$ <u><u>22,458,146</u></u>

The notes to the financial statements are an integral part of this statement.

## JASPER COUNTY

Exhibit 4

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2013

	Major Funds			Other	Total
	General	Countywide	Economic	Governmental	Governmental
	Fund	Road Fund	Development	Funds	Funds
			Trust Fund		
REVENUES					
Property taxes	\$ 6,658,643	502,855		2,820,987	9,982,485
Road and bridge privilege taxes				227,256	227,256
Licenses, commissions and other revenue	133,559			2,902	136,461
Fines and forfeitures	161,840			7,858	169,698
In-lieu tax - Petal Gas				252,829	252,829
Intergovernmental revenues	874,579	1,941,335	1,000,000	3,057,126	6,873,040
Charges for services	8,822			174,816	183,638
Interest income	3,206		41,980	2	45,188
Miscellaneous revenues	76,417	8,958	3,458	31,290	120,123
Total Revenues	7,917,066	2,453,148	1,045,438	6,575,066	17,990,718
EXPENDITURES					
Current:					
General government	3,261,834			43,026	3,304,860
Public safety	2,209,238			613,031	2,822,269
Public works		2,157,844		5,377,940	7,535,784
Health and welfare	282,429				282,429
Culture and recreation	14,148			11,256	25,404
Education	46,946				46,946
Conservation of natural resources	47,816				47,816
Economic development and assistance			1,300,000	35,384	1,335,384
Debt service:					
Principal	308,233		34,924	3,915,900	4,259,057
Interest	26,479		14,798	216,456	257,733
Bond issue costs				114,714	114,714
Total Expenditures	6,197,123	2,157,844	1,349,722	10,327,707	20,032,396
Excess of Revenues over (under) Expenditures	1,719,943	295,304	(304,284)	(3,752,641)	(2,041,678)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	94,922			1,472,328	1,567,250
Refunding bonds issued				4,205,000	4,205,000
Proceeds from sale of capital assets	11,043	62,790		181,000	254,833
Transfers in				363,455	363,455
Transfers out	(663,455)			(150,000)	(813,455)
Lease principal payments			116,774		116,774
Total Other Financing Sources and Uses	(557,490)	62,790	116,774	6,071,783	5,693,857
Net Changes in Fund Balances	1,162,453	358,094	(187,510)	2,319,142	3,652,179
Fund Balances - Beginning	1,728,162	(13,772)	1,568,942	2,904,691	6,188,023
Prior period adjustments	(79,589)		(871,242)	141,802	(809,029)
Fund Balances - Beginning, as restated	1,648,573	(13,772)	697,700	3,046,493	5,378,994
Fund Balances - Ending	\$ 2,811,026	344,322	510,190	5,365,635	9,031,173

The notes to the financial statements are an integral part of this statement.

## JASPER COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2013

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 3,652,179
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$3,165,862 exceeded depreciation of \$1,541,378 in the current period.	1,624,484
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$35,333 and the proceeds from the sale of \$254,833 in the current period.	(290,166)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	5,817
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$4,259,057 exceeded debt proceeds of \$1,567,250.	2,691,807
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amount of decrease in compensated absences	7,230
The amount of increase in accrued interest payable	(39,015)
Issuance of refunding bonds	(4,205,000)
Bond issuance cost on refunding bonds	114,714
The amortization of refunding bond issuance cost	(5,684)
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from change in fund balances by the principal collections on the capital leases.	<u>(116,774)</u>
Change in Net Position of Governmental Activities	<u>\$ 3,439,592</u>

The notes to the financial statements are an integral part of this statement.

JASPER COUNTY  
Statement of Net Position - Proprietary Fund  
September 30, 2013

Exhibit 5

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
<b>ASSETS</b>	
Current assets:	
Cash	\$ 129,362
Accounts receivable (net of allowance for uncollectibles of \$636,264)	223,552
Total Current Assets	<u>352,914</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	1,477
Total Noncurrent Assets	<u>1,477</u>
Total Assets	<u>354,391</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	87,867
Due to other funds	9,725
Advances from other funds	164,203
Unearned revenue	2,540
Total Current Liabilities	<u>264,335</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	800
Total Noncurrent Liabilities	<u>800</u>
Total Liabilities	<u>265,135</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,477
Restricted for:	
Public safety	87,779
Total Net Position	\$ <u><u>89,256</u></u>

The notes to the financial statements are an integral part of this statement.

## JASPER COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund  
For the Year Ended September 30, 2013

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 669,353
Total Operating Revenues	<u>669,353</u>
Operating Expenses	
Personal services	130,912
Contractual services	1,059,304
Materials and supplies	18,832
Indirect administrative cost	9,725
Total Operating Expenses	<u>1,218,773</u>
Operating Income (Loss)	<u>(549,420)</u>
Nonoperating Revenues (Expenses)	
Intergovernmental grants	11,186
Net Nonoperating Revenue (Expenses)	<u>11,186</u>
Net Income (Loss) Before Transfers	(538,234)
Transfers in	<u>450,000</u>
Changes in Net Position	(88,234)
Net Position - Beginning	<u>177,490</u>
Net Position - Ending	\$ <u><u>89,256</u></u>

The notes to the financial statements are an integral part of this statement.



JASPER COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2013

Exhibit 7

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 817,659
Payments to suppliers	(1,074,582)
Payments to employees	(130,290)
Net Cash Provided (Used) by Operating Activities	<u>(387,213)</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	11,186
Cash received from other funds:	
Operating transfers in	450,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>461,186</u>
Net Increase (Decrease) in Cash and Cash Equivalents	73,973
Cash and Cash Equivalents at Beginning of Year	55,389
Cash and Cash Equivalents at End of Year	<u>\$ 129,362</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (549,420)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Provision for uncollectible accounts	236,169
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(90,403)
Increase (decrease) in claims payable	3,554
Increase (decrease) in compensated absences liability	622
Increase (decrease) in unearned revenue	2,540
Increase (decrease) in interfund payables	(8,837)
Increase (decrease) in advances from other funds	18,562
Total Adjustments	<u>162,207</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (387,213)</u>

The notes to the financial statements are an integral part of this statement.

JASPER COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2013

Exhibit 8

		Agency Funds
ASSETS		
Cash	\$	577,337
Due from other funds		11,970
Total Assets	\$	<u>589,307</u>
LIABILITIES		
Intergovernmental payables	\$	468,801
Due to other funds		120,506
Total Liabilities	\$	<u>589,307</u>

The notes to the financial statements are an integral part of this statement.

## JASPER COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2013

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Jasper County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Jasper County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component unit which has significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- Jasper General Hospital

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

##### B. Individual Component Unit Disclosures.

###### Blended Component Unit

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, this component unit is reported as if they are part of the primary government. The following component unit's balances and transactions are blended with the balances and transactions of the primary government.

Jasper County Economic Development District is a legally separate entity organized under Section 19-5-99, Miss. Code Ann. (1972). Its purpose is to foster, encourage and facilitate economic development in the County. The entity's board of trustees is composed 16 members, 10 members appointed by the County Board of Supervisors, two members appointed by the City of Bay Springs, two members appointed by the City of Louin and 2 members appointed by the City of Heidelberg. The County funds the entity through a .75 mill tax levy.

##### C. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

## JASPER COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2013

#### Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

#### Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

#### D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

## JASPER COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2013

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Countywide Road Fund - This fund is used to account for monies from specific revenue sources that are restricted for countywide road maintenance.

Economic Development Trust Fund - This fund is used to account for monies from specific revenue sources that are restricted for economic development in Jasper County.

The County reports the following major Enterprise Fund:

Solid Waste Fund - This fund is used to account for the County's activities of disposal of solid waste within the County.

Additionally, the County reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

#### PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

#### FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

#### E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

#### F. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

## JASPER COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2013

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

#### G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

#### H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. The County has not maintained adequate records documenting the County's construction in progress, infrastructure, and for documenting depreciation on applicable assets. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Jasper County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the County's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

# JASPER COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2013

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

### J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### K. Equity Classifications.

#### Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

## JASPER COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2013

#### Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

*Nonspendable fund balance* includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Unassigned fund balance* is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

#### L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.



# JASPER COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2013

### M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

### N. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

### (2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

#### Exhibit 2 - Statement of Activities - Governmental Activities.

Explanation	Amount
To correct prior year errors in capital assets, net.	\$ 561,712
To correct prior year errors in loans receivable.	(871,242)
To correct prior year errors in deferred revenue for capital leases receivable principal payments	815,493
To correct prior year errors in the classification of the Livestock Facility Fund and the Jasper County Ambulance Fund.	62,213
Total prior period adjustments	\$ 568,176

#### Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

Explanation	Amount
To correct prior year errors in loans receivable.	\$ (871,242)
To correct error in classification of funds.	
General Fund	(79,589)
Other Governmental Funds	79,589
To correct prior year errors in the classification of the Livestock Facility Fund and the Jasper County Ambulance Fund.	62,213
Total prior period adjustments	\$ (809,029)

### (3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$10,191,120, and the bank balance was \$10,457,358. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

# JASPER COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2013

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

### (4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2013:

#### A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 9,725
General Fund	Agency Funds	120,506
General Fund	Other Governmental Funds	2,288
Countywide Road Fund	General Fund	5,002
Economic Development Trust Fund	Other Governmental Funds	3,241
Other Governmental Funds	General Fund	43,789
Other Governmental Funds	Other Governmental Funds	12,922
Agency Funds	General Fund	11,970
Total		\$ 209,443

The majority of the receivables represent amounts received from the General Fund to cover deficit cash balances and solid waste indirect costs. All other receivables represent the tax revenue collected in September, 2013, but not settled until October, 2013, or errors in the posting of revenue during the year. All interfund balances are expected to be repaid within one year from the date of the financial statements.

#### B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 164,203
General Fund	Countywide Road Fund	45,011
Total		\$ 209,214

The amount payable to the General Fund from the Solid Waste Fund represents unpaid indirect costs. The amount payable to the General Fund from the Countywide Road Fund represents unpaid amounts for cash flow problems in prior years.

#### C. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 213,455
Other Governmental Funds	Other Governmental Funds	150,000
Solid Waste Fund	General Fund	450,000
Total		\$ 813,455

JASPER COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2013, consisted of the following:

Description	Amount
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 93,672
Housing prisoners reimbursement	420
National forestry reimbursement	1,038
Total Governmental Activities	<u>\$ 95,130</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2013, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Timber Plus	04/2005	3.85%	04/2014	\$ <u>25,679</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2013:

**Governmental activities:**

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 522,679				522,679
Construction in progress		1,724,725		185,853	1,910,578
Total non-depreciable capital assets	<u>522,679</u>	<u>1,724,725</u>	<u>0</u>	<u>185,853</u>	<u>2,433,257</u>
<u>Depreciable capital assets:</u>					
Infrastructure	12,347,577			291,046	12,638,623
Buildings	5,489,922	440,700	300,000		5,630,622
Improvements other than buildings	38,167				38,167
Mobile equipment	5,036,329	317,035	203,784	2,236,944	7,386,524
Furniture and equipment	637,142	19,350	10,000	25,000	671,492
Leased property under capital leases	3,955,554	664,052	356,263	(2,241,757)	2,021,586
Total depreciable capital assets	<u>27,504,691</u>	<u>1,441,137</u>	<u>870,047</u>	<u>311,233</u>	<u>28,387,014</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	1,826,501	355,156			2,181,657
Buildings	2,156,316	104,899			2,261,215

JASPER COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
Improvements other than buildings	30,534				30,534
Mobile equipment	3,251,264	711,969	66,254	1,479,566	5,376,545
Furniture and equipment	384,074	61,537	3,600	24,750	466,761
Leased property under capital leases	2,442,060	307,817	210,027	(1,568,942)	970,908
Total accumulated depreciation	<u>10,090,749</u>	<u>1,541,378</u>	<u>279,881</u>	<u>(64,626)</u>	<u>11,287,620</u>
 Total depreciable capital assets, net	 <u>17,413,942</u>	 <u>(100,241)</u>	 <u>590,166</u>	 <u>375,859</u>	 <u>17,099,394</u>
 Governmental activities capital assets, net	 \$ <u>17,936,621</u>	 <u>1,624,484</u>	 <u>590,166</u>	 <u>561,712</u>	 <u>19,532,651</u>
<b>Business-type activities:</b>					
	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
<u>Depreciable capital assets:</u>					
Mobile equipment	<u>14,768</u>				<u>14,768</u>
Total depreciable capital assets	<u>14,768</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,768</u>
<u>Less accumulated depreciation for:</u>					
Mobile equipment	<u>13,291</u>				<u>13,291</u>
Total accumulated depreciation	<u>13,291</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,291</u>
 Total depreciable capital assets, net	 <u>1,477</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>1,477</u>
 Business-type activities capital assets, net	 \$ <u>1,477</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>1,477</u>

\*Adjustments are to correct errors in the capital asset records and to reflect certain routine classifications of paid-off capital leases.

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental Activities:</b>	
General government	\$ 87,179
Public safety	210,652
Public works	1,234,987
Health and welfare	1,319
Culture and recreation	6,548
Economic development and assistance	<u>693</u>
 Total governmental activities depreciation expense	 \$ <u>1,541,378</u>

# JASPER COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2013

Commitments with respect to unfinished capital projects at September 30, 2013, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Montrose-Newton County Line Road – STP 0439 10 B	\$ 136,496	June, 2015
MS503/Rose Hill Road – BR 0031 21 B	156,575	June, 2015
Highway 533/Moss Road – SAP 31 56	594,544	June, 2017
Turnerville-Paulding Road – SAP 31 57	54,078	September, 2015

### (8) Claims and Judgments.

#### Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2013, to January 1, 2014. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

### (9) Operating Leases.

On July 12, 2011, Jasper County Board of Supervisors entered into a non-cancellable operating lease with Jasper County Economic Development District for the lease of the property/premises located in the Town of Stringer at 25 County Road 17, which is owned by the County. The operating lease stipulated that the lessee would pay \$1,000 per month in lease payments commencing on July 1, 2011 for a term of 10 years. On July 13, 2011, Jasper County Economic Development District assigned and sublet the property to Southern Industrial Technologies for the purpose of conducting business of fabricated structural metal. On June 25, 2013, the lease agreement was modified to add \$22,000 of past due rent, which is to be amortized over the remaining lease term. As of July 1, 2013, the total amount due per month is \$1,229.16. It is agreed that in the event Southern Industrial Technology pays rental when due, no demand will be made for the arrearage of \$22,000. At the end of the initial 10 year term, the lease shall automatically be extended for two additional five-year terms.

The future minimum lease payments for this lease are as follows:

Year Ended September 30	Amount
2014	\$ 14,750
2015	14,750
2016	14,750
2017	14,750
2018	14,750
2019 – 2023	40,562
Total Minimum Payments Required	\$ 114,312

# JASPER COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2013

### (10) Capital Leases.

#### As Lessor:

On February 3, 2004, Jasper County entered into a capital lease agreement with Hol-Mac Corporation for the real estate lease purchase of property/premises for the expansion of a manufacturing facility. The capital lease stipulated that the lessee would pay monthly payments of \$3,242 commencing on March 1, 2004 for a term of 10 years, and then monthly payments of \$9,756 for years 11 through 15. The lessee also agrees to pay a sum equivalent to and in lieu of the West Jasper Consolidated School District ad valorem taxes which would be due on the lands, building and other improvements thereon during the years of this lease. This sum shall be due and payable on the 1<sup>st</sup> day of January each year. At the end of the lease term, Hol-Mac Corporation has the option to purchase the premises for \$10.

On September 6, 2006, Jasper County entered into a capital lease agreement with Buckley Newspapers, Inc. for the lease of a newsprint and printing facility. The capital lease stipulated that the lessee would pay monthly payments of \$2,023 commencing on October 1, 2006, and ending on September 1, 2016. At the end of the lease term, the facility will be transferred to Buckley Newspapers, Inc. upon completion of the underlying debt.

On November 12, 2009, Jasper County entered into a capital lease agreement with Hol-Mac Corporation for the real estate lease purchase of property/premises for the expansion of a manufacturing facility. The capital lease stipulated that the lessee would pay monthly payments of \$4,216 commencing on December 12, 2009 for a term of 15 years. At the end of the lease term, Hol-Mac Corporation has the option to purchase the premises for \$10.

On May 2, 2011, Jasper County entered into a capital lease agreement with Hol-Mac Corporation for the real estate lease purchase of property/premises for the expansion of a manufacturing facility. The capital lease stipulated that the lessee would pay monthly payments of \$3,461 commencing on June 1, 2011 for a term of 10 years. The lessee also agrees to pay a sum equivalent to and in lieu of the West Jasper Consolidated School District ad valorem taxes which would be due on the lands, building and any other improvements thereon during the years of this lease. This sum shall be due and payable on the 1<sup>st</sup> day of January each year. At the end of the lease term, Hol-Mac Corporation has the option to purchase the premises for \$10.

On September 23, 2013, Jasper County entered into a capital lease agreement with Hol-Mac Corporation for the real estate lease purchase of property/premises for the expansion of a manufacturing facility. The capital lease stipulated that the lessee would pay monthly payments of \$2,932 commencing on October 23 2013 for a term of 10 years. At the end of the lease term, Hol-Mac Corporation has the option to purchase the premises for \$10.

The County leases the following property with varying terms and options as of September 30, 2013:

Classes of Property	Amount
Buildings	\$ 2,240,000

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2013, are as follows:

Year Ended September 30	Principal	Interest
2014	\$ 187,378	45,225
2015	228,689	39,950
2016	234,933	33,574
2017	216,819	27,546
2018	222,375	21,990
2019 – 2023	537,653	47,260
2024 – 2028	57,843	1,181
Total	\$ 1,685,690	216,726

# JASPER COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2013

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2013:

Classes of Property		Governmental Activities
Mobile equipment	\$	1,925,637
Furniture and equipment		95,949
Total		2,021,586
Less: Accumulated depreciation		970,908
Leased Property Under Capital Leases	\$	1,050,678

The following is a schedule by years of the total payments due as of September 30, 2013:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2014	\$ 464,540	17,181
2015	430,684	8,670
2016	223,127	2,178
2017	65,828	435
2018	16,882	74
Total	\$ 1,201,061	28,538

### (11) Long-term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
District 4 road and bridge bonds - 2004	\$ 70,000	2.80/4.00%	06/2014
Countywide road and bridge bonds - 2004	155,000	2.80/4.00%	06/2014
Fire department bonds - 2005	600,000	2.92%	09/2017
General Obligation road and bridge bonds, Series 2013	750,000	2.75/3.75%	09/2023
District 1 road and bridge bonds, Series 2013	1,120,000	2.40/2.70%	09/2023
District 2 road and bridge bonds, Series 2013	1,520,000	2.125/2.25%	09/2023
District 3 road and bridge bonds, Series 2013	630,000	2.50/3.50%	06/2023
District 5 road and bridge bonds, Series 2013	935,000	2.875%	06/2023
Total General Obligation Bonds	\$ 5,780,000		
B. Capital Leases:			
(11) 2011 Crown Victorias – Sheriff's office	\$ 154,033	2.00%	10/2015
Mekel film scanner	5,759	3.15%	10/2014
2013 Dodge Ram 1500 pickup	19,385	1.00%	02/2016
IBM 720 computer system	62,839	1.00%	02/2018
District 1 – Backhoe/loader	7,681	3.65%	12/2013
District 1 – Backhoe	7,618	3.25%	06/2014
District 1 – 2013 Ford F150	23,790	1.00%	09/2016
District 1 – Mini excavator 305E	40,594	1.30%	01/2016

JASPER COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
District 1 – John Deere 6430 tractor	94,832	1.00%	01/2017
District 1 – 2013 Ford F350 truck	20,840	1.00%	03/2017
District 1 – Ford F650	61,362	1.18%	07/2018
District 2 – 2006 Chevy 3500	8,380	1.75%	02/2015
District 2 – 2011 Ford F150	14,552	1.96%	12/2015
District 2 – Caterpillar backhoe loader	41,545	3.20%	12/2015
District 2 – Case tractor	13,980	3.00%	05/2014
District 2 – Mini excavator 305E	40,594	1.30%	01/2016
District 2 – 2012 Mack truck	99,913	1.40%	12/2016
District 2 – John Deere 6430 tractor	94,831	1.00%	01/2017
District 2 – 2013 Chevy Silverado pickup	24,766	1.00%	03/2017
District 3 – 2012 GMC truck	20,126	1.75%	01/2016
District 3 – Mini excavator 305E	40,594	1.30%	01/2016
District 4 – Caterpillar backhoe loader	41,545	3.20%	12/2015
District 5 – 2004 Ford F650	10,535	1.75%	02/2015
District 5 – Caterpillar backhoe loader	42,985	3.20%	01/2016
District 5 – Motorgrader	92,959	2.95%	05/2016
District 5 – New Holland tractor w/ Tiger boom mower	33,824	3.20%	12/2015
District 5 – Tractor	22,025	2.95%	05/2016
District 5 – Mini excavator 305E	40,591	1.30%	01/2016
District 5 – 2012 Ford	18,583	1.50%	09/2016
Total Capital Leases	\$ 1,201,061		
C. Other Loans:			
Imaging and indexing machine	\$ 42,779	2.00%	11/2016
Jail construction	442,000	3.81%	11/2014
Holmac building	474,260	3.00%	12/2024
Total Other Loans	\$ 959,039		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

**Governmental Activities:**

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2014	\$ 935,000	141,586	264,388	27,235
2015	725,000	132,550	277,757	17,447
2016	750,000	111,593	52,165	11,524
2017	775,000	90,044	41,116	10,357
2018	620,000	68,751	40,568	9,153
2019 – 2023	1,975,000	165,575	222,118	26,491
2024 – 2028			60,927	1,226
Total	\$ 5,780,000	710,099	959,039	103,433



# JASPER COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2013

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a County issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2013, the amount of outstanding debt was equal to 1.30% of the latest property assessments.

Current Refunding – On July 25, 2013, the County issued \$1,120,000 in general obligation bonds and general obligation refunding bonds with an average interest rate of 2.40-2.70% to issue new debt of \$547,600 and to refund \$550,000 of the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
Refunding G.O. Road and Bridge Bonds, Series 2008 – District 1	3.70%	\$ 550,000

Current Refunding – On July 25, 2013, the County issued \$1,520,000 in general obligation bonds and general obligation refunding bonds with an average interest rate of 2.125-2.25% to issue new debt of \$749,600 and to refund \$740,000 of the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
Refunding G.O. Road and Bridge Bonds, Series 2008 – District 2	3.70%	\$ 740,000

Current Refunding – On July 11, 2013, the County issued \$630,000 in general obligation bonds and general obligation refunding bonds with an average interest rate of 2.50-3.50% to issue new debt of \$195,000 and to refund \$420,000 of the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
Refunding G.O. Road and Bridge Bonds, Series 2008 – District 3	3.70%	\$ 420,000

Current Refunding – On August 30, 2013, the County issued \$935,000 in general obligation bonds and general obligation refunding bonds with an average interest rate of 2.875% to issue new debt of \$275,600 and to refund \$635,000 of the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
Refunding G.O. Road and Bridge Bonds, Series 2008 – District 5	3.875%	\$ 635,000

# JASPER COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2013

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments*	Balance Sept. 30, 2013	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 87,712		7,230		80,482	
General obligation bonds	3,905,000	4,955,000	3,080,000		5,780,000	935,000
Capital leases	2,012,723	817,250	925,399	(703,513)	1,201,061	464,540
Other loans	509,184		253,658	703,513	959,039	264,388
<b>Total</b>	<b>\$ 6,514,619</b>	<b>5,772,250</b>	<b>4,266,287</b>	<b>0</b>	<b>8,020,582</b>	<b>1,663,928</b>
<b>Business-type Activities:</b>						
Compensated absences	\$ 178	622			800	

\*Adjustments are for the reclassification of other loans erroneously classified as capital leases in prior years.

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Solid Waste Fund and Road Maintenance Funds.

### (12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2013:

Fund	Deficit Amount
2% Unemployment Compensation	\$ 2,288

### (13) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

### (14) Joint Venture.

The County participates in the following joint venture:

Jasper County is a participant with Clarke County in a joint venture authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the East Mississippi Regional Library System (Regional Library). The joint venture was created to provide free public library service to citizens of the respective counties, and is governed by a five-member board. The two counties rotate board appointments so that each county has a majority of board members in alternate years. Each County is obligated by contract to levy not less than one-half mill tax as provided by Section 39-3-35, Miss. Code Ann. (1972), for the ongoing financial support of the joint venture.

## JASPER COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2013

Jasper County appropriated \$130,000 for support of the system in fiscal year 2013. Complete financial statements for the Regional Library can be obtained from the East Mississippi Regional Library, Quitman, Mississippi.

(15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Mid-Mississippi Development District operates in a district composed of the Counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was organized to foster, encourage, and facilitate economic development in the member counties. The district's board of trustees is composed of 30 members, five each from the six member counties. The County appropriated \$31,500 for support of the district in fiscal year 2013.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Jasper County Board of Supervisors appoints one of the 15 members of the board of directors. The County appropriated \$14,434 for the support of the district in fiscal year 2013.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Jasper County Board of Supervisors appoints two of the 20 members of the college board of trustees. The County appropriated \$341,436 for maintenance and support of the college in fiscal year 2013.

Multi-County Community Service Agency operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The entity was created to administer programs conducted by community action agencies, limited purpose agencies, and related programs authorized by federal law. The Jasper County Board of Supervisors appoints one of the 24 members of the board of directors. Most of the funding for the entity is derived from federal funds. The County pays a modest amount of the agency's monthly bills.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Jasper County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$35,189 for support of the commission in fiscal year 2013.

(16) Defined Benefit Pension Plan.

Plan Description. Jasper County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$602,133, \$404,543 and \$425,729, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net

# JASPER COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2013

Position date require disclosure in the accompanying notes. Management of Jasper County evaluated the activity of the County through September 8, 2016 and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2013, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/31/2013	3.25%	1,500,000	Capital Note	Ad Valorem Taxes
2/13/2014	2.00%	1,000,000	CAP Loan	Ad Valorem Taxes
4/11/2014	1.25%	53,449	Capital Lease	Ad Valorem Taxes
6/20/2014	1.00%	202,423	Capital Lease	Ad Valorem Taxes
8/27/2014	1.00%	116,321	Capital Lease	Ad Valorem Taxes
8/27/2014	1.00%	36,639	Capital Lease	Ad Valorem Taxes
8/29/2014	1.00%	48,259	Capital Lease	Ad Valorem Taxes
8/29/2014	1.00%	139,891	Capital Lease	Ad Valorem Taxes
10/27/2014	1.00%	78,402	Capital Lease	Ad Valorem Taxes
10/27/2014	1.00%	22,979	Capital Lease	Ad Valorem Taxes
11/6/2014	1.00%	51,332	Capital Lease	Ad Valorem Taxes
2/17/2015	1.35%	350,000	Negotiable Note	Ad Valorem Taxes
3/3/2015	1.20%	112,171	Capital Lease	Ad Valorem Taxes
7/29/2015	1.50%	189,500	Capital Lease	Ad Valorem Taxes
8/28/2015	1.25%	32,110	Capital Lease	Ad Valorem Taxes
11/13/2015	1.65%	116,325	Capital Lease	Ad Valorem Taxes
11/24/2015	1.20%	31,179	Capital Lease	Ad Valorem Taxes
4/28/2016	1.50%	36,104	Capital Lease	Ad Valorem Taxes
4/28/2016	1.75%	68,001	Capital Lease	Ad Valorem Taxes
5/31/2016	1.70%	195,800	Capital Lease	Ad Valorem Taxes
7/12/2016	1.70%	32,636	Capital Lease	Ad Valorem Taxes
7/26/2016	1.44%	63,667	Capital Lease	Ad Valorem Taxes
7/26/2016	1.44%	60,358	Capital Lease	Ad Valorem Taxes
7/26/2016	1.44%	58,900	Capital Lease	Ad Valorem Taxes
7/26/2016	1.44%	60,358	Capital Lease	Ad Valorem Taxes

JASPER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

JASPER COUNTY

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JASPER COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2013  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 6,172,097	6,618,407	6,618,407	
Licenses, commissions and other revenue	118,500	145,124	145,124	
Fines and forfeitures	154,000	150,532	150,532	
Intergovernmental revenues	1,160,900	687,709	687,709	
Charges for services	10,000	8,402	8,402	
Interest income	6,500	3,200	3,200	
Miscellaneous revenues	63,000	193,485	193,485	
Total Revenues	<u>7,684,997</u>	<u>7,806,859</u>	<u>7,806,859</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,849,072	3,181,468	3,181,468	
Public safety	2,551,128	2,181,409	2,181,409	
Health and welfare	577,975	300,331	300,331	
Culture and recreation	41,682	14,148	14,148	
Conservation of natural resources	60,764	48,147	48,147	
Debt service:				
Principal		308,233	308,233	
Interest		26,479	26,479	
Total Expenditures	<u>7,080,621</u>	<u>6,060,215</u>	<u>6,060,215</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>604,376</u>	<u>1,746,644</u>	<u>1,746,644</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		18,278	18,278	
Transfers in	2,624	25,009	25,009	
Transfers out	(1,030,000)	(655,000)	(655,000)	
Total Other Financing Sources and Uses	<u>(1,027,376)</u>	<u>(611,713)</u>	<u>(611,713)</u>	<u>0</u>
Net Change in Fund Balance	(423,000)	1,134,931	1,134,931	0
Fund Balances - Beginning	<u>423,000</u>	<u>2,632,768</u>	<u>2,632,768</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>3,767,699</u>	<u>3,767,699</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

Budgetary Comparison Schedule -  
Budget and Actual (Non-GAAP Basis)  
Countywide Road Fund  
For the Year Ended September 30, 2013  
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 464,571	501,862	501,862	
Intergovernmental revenues	100,000	352,880	352,880	
Interest income		8,800	8,800	
Miscellaneous revenues	9,600	62,532	62,532	
Total Revenues	<u>574,171</u>	<u>926,074</u>	<u>926,074</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	476,777	606,629	606,629	
Total Expenditures	<u>476,777</u>	<u>606,629</u>	<u>606,629</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>97,394</u>	<u>319,445</u>	<u>319,445</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		62,790	62,790	0
Transfers out	(300,000)			0
Total Other Financing Sources and Uses	<u>(300,000)</u>	<u>62,790</u>	<u>62,790</u>	<u>0</u>
Net Change in Fund Balance	(202,606)	382,235	382,235	0
Fund Balances - Beginning	<u>202,606</u>	<u>422,436</u>	<u>422,436</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>804,671</u>	<u>804,671</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.



Budgetary Comparison Schedule -  
Budget and Actual (Non-GAAP Basis)  
Economic Development Trust Fund  
For the Year Ended September 30, 2013  
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 56,308			
Miscellaneous revenues		2,458	2,458	
Total Revenues	<u>56,308</u>	<u>2,458</u>	<u>2,458</u>	<u>0</u>
EXPENDITURES				
Current:				
Economic development and assistance	<u>208,222</u>	<u>49,722</u>	<u>49,722</u>	<u>0</u>
Total Expenditures	<u>208,222</u>	<u>49,722</u>	<u>49,722</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(151,914)</u>	<u>(47,264)</u>	<u>(47,264)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	190,787			
Transfers out	<u>(150,000)</u>			
Total Other Financing Sources and Uses	<u>40,787</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(111,127)	(47,264)	(47,264)	0
Fund Balances - Beginning	<u>111,127</u>	<u>481,270</u>	<u>481,270</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>434,006</u>	<u>434,006</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

JASPER COUNTY

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# JASPER COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2014

### UNAUDITED

#### A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

#### B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

#### C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types		
	General Fund	Countywide Road Fund	Economic Development Trust Fund
Budget (Cash Basis)	\$ 1,134,931	382,235	(47,264)
Increase (Decrease)			
Net adjustments for revenue accruals	172,885	1,527,074	1,159,754
Net adjustments for expenditure accruals	(145,363)	(1,551,215)	(1,300,000)
GAAP Basis	\$ <u>1,162,453</u>	<u>358,094</u>	<u>(187,510)</u>

JASPER COUNTY

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## JASPER COUNTY

## OTHER INFORMATION

JASPER COUNTY

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JASPER COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2013  
UNAUDITED

Name	Position	Company	Bond
Eddie Helms	Supervisor District 1	RLI Insurance	\$100,000
Sandy Stephens	Supervisor District 2	Suretec Insurance Co.	\$100,000
Doug Rogers	Supervisor District 3	RLI Insurance	\$100,000
Johnny Rowell	Supervisor District 4	RLI Insurance	\$100,000
Curtis Gray, Sr.	Supervisor District 5	RLI Insurance	\$100,000
Barbara Revenhorst	Chancery Clerk	RLI Insurance	\$100,000
Sherrie Campbell	Purchase Clerk	RLI Insurance	\$75,000
Ruth Regions	Receiving Clerk	RLI Insurance	\$75,000
Frederick Tew	Assistant Receiving Clerk	RLI Insurance	\$50,000
Frederick Campbell	Assistant Receiving Clerk	RLI Insurance	\$10,000
Billy King	Assistant Receiving Clerk	RLI Insurance	\$50,000
Robert Triplett	Assistant Receiving Clerk	RLI Insurance	\$50,000
Tina Gavin	Inventory Control Clerk	RLI Insurance	\$75,000
Gregory Terrell	Constable	RLI Insurance	\$50,000
Keith Barlow	Constable	RLI Insurance	\$50,000
Billy Raynor	Circuit Clerk	RLI Insurance	\$100,000
Mary Thigpen	Deputy Circuit Clerk	RLI Insurance	\$50,000
Teresa Jones	Deputy Circuit Clerk	RLI Insurance	\$50,000
Dana Lewis	Deputy Circuit Clerk	RLI Insurance	\$50,000
Terry Stevens	Deputy Circuit Clerk	RLI Insurance	\$50,000
Christopher Sargent	Sheriff	RLI Insurance	\$100,000
William Paul Spurlin	Sheriff's Deputy	RLI Insurance	\$50,000
Frank Spurlin	Sheriff's Deputy	RLI Insurance	\$50,000
Andrew Spurlin	Sheriff's Deputy	RLI Insurance	\$50,000
Jonathan Wilson	Sheriff's Deputy	RLI Insurance	\$50,000
Christopher Thompson	Sheriff's Deputy	RLI Insurance	\$50,000
Barry C Gregg	Sheriff's Deputy	RLI Insurance	\$50,000
Cynthia Robertson	Sheriff's Deputy	RLI Insurance	\$50,000
Brent Jacob Welch	Sheriff's Deputy	RLI Insurance	\$50,000
Phillip McCreary	Sheriff's Deputy	RLI Insurance	\$50,000
Kirk Thorton	Sheriff's Deputy	RLI Insurance	\$50,000
Sullivan Dukes	Justice Court Judge	RLI Insurance	\$50,000
Marvin Jones	Justice Court Judge	RLI Insurance	\$50,000
Lydia Pittman	Justice Court Clerk	RLI Insurance	\$50,000
Ruthie Brown	Deputy Justice Court Clerk	Western Surety Co	\$50,000
Rebecca Gavin	Deputy Justice Court Clerk	RLI Insurance	\$50,000
Mary Stewart	Deputy Justice Court Clerk	Western Surety Co	\$50,000
Pattie Ishee	Tax Assessor-Collector	RLI Insurance	\$100,000
Melanie Sullivan	Deputy Tax Collector	RLI Insurance	\$100,000
Angelia McCain	Deputy Tax Collector	RLI Insurance	\$100,000
Kacie Breland	Deputy Tax Collector	RLI Insurance	\$100,000
Kathy Phillips	Deputy Tax Collector	RLI Insurance	\$100,000

JASPER COUNTY

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## JASPER COUNTY

## SPECIAL REPORTS

JASPER COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors  
Jasper County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jasper County, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 8, 2016. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. The report is qualified on the governmental activities because the County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets as required by accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Jasper County, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2013-001, 2013-002, 2013-003, 2013-004, 2013-005, 2013-006, 2013-007, 2013-008, 2013-009, 2013-010, 2013-011, 2013-012, 2013-013, 2013-014, 2013-020, 2013-021, 2013-024 and 2013-025 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2013-015, 2013-016, 2013-017, 2013-018, 2013-019, 2013-022, 2013-023 and 2013-026 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jasper County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2013-009 and 2013-014.

We also noted certain matters which we have reported to the management of Jasper County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated September 8, 2016, included within this document.

### **Jasper County's Responses to Findings**

Jasper County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Jasper County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. McKNIGHT, CPA  
Director, County Audit Section

September 8, 2016



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors  
Jasper County, Mississippi

We have examined Jasper County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. The Board of Supervisors of Jasper County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Jasper County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

The County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Assistant Receiving Clerks.

1. Assistant Receiving Clerks should be properly bonded.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires each Assistant Receiving Clerk to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. Furthermore, Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law shall be secured upon employment and

coverage shall continue by securing a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The Beat Two Assistant Receiving Clerk was not bonded. The Beat Three Assistant Receiving Clerk was only bonded for an indefinite time rather than for a term and only bonded for \$10,000 rather than the \$50,000 required. In the event of a loss of public funds involving the Assistant Receiving Clerks, the County would have been responsible for recovery of funds and might have incurred an unnecessary liability.

#### Recommendation

The Assistant Receiving Clerks should execute bonds in the amount of \$50,000 for the duration of the current term, as required by law.

#### Assistant Receiving Clerks' Response

All assistant receiving clerks are now bonded for \$50,000 dollars. A copy is being made to give to the bonding company to get the dates to comply with section 25-1-15 Ms. Code Ann. 1972.

Inventory Control Clerk.

#### 2. Inadequate controls over the inventory control system.

##### Finding

Section 31-7-107, Miss. Code Ann. (1972) requires the Inventory Control Clerk to maintain an inventory system to account for all capital assets of the County. An effective system of internal control should include adequate subsidiary records documenting the existence, valuation and completeness of governmental activities' capital assets as well as the depreciation of these assets. As reported in the prior nine years' audit reports, capital asset control procedures were inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation and completeness of capital assets. We noted the following deficiencies in the capital asset records:

- a. Infrastructure was not recorded by the County for the current fiscal year.
- b. Three (3) assets totaling \$324,065 were purchased during the year, which were not added to the County's capital asset records.
- c. Two (2) assets totaling \$439,000 were sold during the year, which were not deleted from the County's capital asset records.
- d. Depreciation is being calculated incorrectly on an unknown number of assets, which have been transferred between funds or departments.
- e. Construction in progress totaling \$476,899 was not recorded in previous years, resulting in a prior period adjustment.
- f. Construction in progress totaling \$1,724,725 was not recorded in fiscal year 2013.

Therefore, the Independent Auditor's Report includes a qualified opinion on the Governmental Activities. The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

#### Recommendation

The Inventory Control Clerk should establish adequate control procedures to maintain accurate inventory records documenting the existence, valuation and completeness of capital assets. Construction in progress reports should be prepared and used to include current fiscal year additions in the capital asset listing. Depreciation should be calculated in accordance with state guidelines.

#### Inventory Control Clerk's Response

The County Engineer will begin to submit the necessary reports to the Board of Supervisors on the progress in construction in progress. Depreciation will be checked and corrected. We will correct communication issues in order to eliminate errors.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Jasper County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Jasper County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Jasper County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" being particularly prominent.

JOE E. McKNIGHT, CPA  
Director, County Audit Section

September 8, 2016

JASPER COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2013

Our test results did not identify any purchases from other than the lowest bidder.



JASPER COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2013

Schedule 2

Our test results did not identify any emergency purchases.

JASPER COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2013

Our test results did not identify any purchases made noncompetitively from a sole source.



**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Jasper County, Mississippi

In planning and performing our audit of the financial statements of Jasper County, Mississippi for the year ended September 30, 2013, we considered Jasper County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jasper County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 8, 2016, on the financial statements of Jasper County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. The County should replace obsolete computer hardware and software.

Finding

The County is running operating systems, as well as applications on some of its servers and/or personal computers (PCs) that might not be supported by vendors. Due to the lack of such support, these systems could become vulnerable to hackers and malware such as viruses.

Recommendation

We recommend that the County develop a plan to replace the operating systems, applications and hardware where necessary, that is no longer supported by vendors as soon as possible. Computers that originally included operating systems or applications that are no longer supported by vendors will have hardware that most likely cannot run the newest operating systems or applications, thereby requiring replacement of hardware, operating systems and applications in many cases.

#### Board of Supervisors' Response

All computes with non supported operating systems have been replaced.

2. The County should install network banners on its internal network.

#### Finding

During our review, we noted that the system used by the County for financial reporting did not display appropriate network banners on its internal network. Network banners are electronic messages that provide notice of legal rights to users of computer networks. Bannering could assist in the prosecution of computer related incidents by helping prevent certain defenses made by the perpetrator. In addition, formal written policies and procedures concerning privacy and confidentiality could prove helpful in such cases.

#### Recommendation

We recommend that the County implement appropriate network banners on its internal network. The advice of an attorney should be obtained when preparing statements concerning privacy and confidentiality.

#### Board of Supervisors' Response

We are checking with our IT person to see how and if this can be accomplished.

3. The County should strengthen passwords.

#### Finding

We noted during our review that the County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for County information assets. Gaining access to data assets can often open doors to highly confidential information such as Personally Identifiable Information (PII), confidential governmental reports, and security information related to governmental entities. Through this type of unauthorized access situations such as data breaches and denial of service attacks can be initiated. Attack methods can be slowed down significantly or even defeated through the use of strong passwords. Therefore, whenever possible, computes should use strong passwords for all of their computer accounts.

#### Recommendation

We recommend that the County improve its password strength by changing password parameters to comply with password management best practices and industry standards. Characteristics of strong passwords include requirements for sufficient length, complexity (combination of numbers, letters and special characters), and periodic change of passwords.

#### Board of Supervisors' Response

We will start requiring stronger passwords when passwords are needed.

4. The County should establish and test a disaster recovery process.

#### Finding

During our review of the information systems controls of the County, we noted that the County has not established a disaster recovery process. As a result, the County cannot fully ensure that the information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to recreate.

The County is currently creating back-up files, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

#### Recommendation

We recommend that the County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. In order to do this, it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including County personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

We also recommend that the County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

#### Board of Supervisors' Response

Our records are backed up daily and stored in a fireproof vault. Once a month a complete system backup is done of everything, software too. We are also looking into an offsite backup solution with a company for the county data.

#### 5. The County should improve its server room environment management.

##### Finding

The County's computer room is not a dedicated room with limited, controlled access and proper environmental equipment for electronic equipment. The room is secure in that there are people working during business hours in and around the computer. However, the computer is in the open and has the potential to be accessed by unauthorized personnel. Although the room does have air conditioning, it does not have monitoring equipment for other conditions that can have an adverse effect on electronic equipment.

##### Recommendation

We recommend that the County establish an area specifically for computerized equipment that can be locked and provisioned with environmental control and monitoring equipment in relation to heat, humidity, and other conditions that might affect computerized equipment. This equipment should also have the capability to notify the proper personnel when these conditions vary outside of preset ranges. A log should also be maintained of visitors entering and exiting the computer room. In addition, access reviews should be completed on a periodic basis to determine that only authorized personnel have access to the computer room. Documentation of visitors to the computer room as well as periodic access reviews should be maintained for review by audit personnel.

##### Board of Supervisors' Response

The computer room is located directly in the Chancery Clerk's office. It is monitored at all times with no one entering that does not work for the County or is accompanied by a County employee. The office is locked if not during regular office hours with no one having keys.

6. Unemployment Compensation Fund's cash balance below required amount.

Finding

Section 71-5-359(5), Miss. Code Ann. (1972), requires that a balance be maintained in the Unemployment Compensation Fund at an amount not less than two percent (2%) of the first six thousand dollars (\$6,000) of covered wages paid during the next preceding year. The cash balance was below the amount required by state statute. At September 30, 2013, the cash balance was negative \$2,288, which is under the required amount of \$15,630. The failure to maintain the required balance in the account resulted in noncompliance with state law.

Recommendation

The Board of Supervisors should ensure that the required amount is maintained in the Unemployment Compensation Fund at an amount not less than two percent (2%) of the first six thousand dollars (\$6,000) paid during the next preceding year, as required by law.

Board of Supervisors' Response

At the time of audit some transfers for benefits had not been made in the computer; therefore making the fund balance out of line as of 9/30/2013. \$5,186.92 and \$5,640 for a total of \$10,826.92 has been transferred. The fund balance on 4/19/2016 is \$14,447.47.

Justice Court Clerk.

7. Justice Court Clerk should be properly bonded.

Finding

Section 9-11-29(2), Miss. Code Ann. (1972), requires the Justice Court Clerk to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. Furthermore, Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by securing a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The District Two Justice Court Clerk's bond was written for an indefinite time rather than for a term. This would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The District Two Justice Court Clerk should cancel the current bond and secure a new one for the duration of the current term.

Justice Court Clerk's Response

This will be corrected to normal election cycle and we only have one clerk at present who is bonded for \$50,000.

Purchase Clerk.

8. Credit card charges were not properly documented for authorization.

Finding

Section 19-3-68, Miss. Code Ann. (1972), specifies the requirements governing the use of a county credit card for travel. The Chancery Clerk or Purchase Clerk shall maintain complete records of all credit card numbers and all receipts and other documentation relating to the use of such credit cards. The supervisors and county employees shall furnish receipts for the use of such credit cards each month to the Chancery Clerk or Purchase Clerk, who shall submit a written report monthly to the Board of Supervisors.

The report shall include an itemized list of all expenditures and the use of the credit card for the month, and such expenditures may be allowed for payment by the county in the same manner as other items in the claims docket. Travel charges to the credit card were not in compliance with this section. There were no written reports itemizing expenditures made on the credit card. Failure to enforce these requirements could result in the misuse of the credit card for unauthorized and unallowed expenditures.

#### Recommendation

The Purchase Clerk should ensure that a monthly report itemizing the expenditures and use of the credit card is submitted to the Board of Supervisors, and that all receipts and documentation of credit card use is maintained, as required.

#### Purchase Clerk's Response

This will be corrected – will suggest bills be attached to statements.

Jasper County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Joe E. McKnight". The signature is fluid and cursive, with the first and last names being more prominent.

JOE E. McKNIGHT, CPA  
Director, County Audit Section

September 8, 2016

JASPER COUNTY

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JASPER COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

## JASPER COUNTY

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JASPER COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2013

Section 1: Summary of Auditor's Results

***Financial Statements:***

1. Type of auditor's report issued on the financial statements:

Governmental activities	Qualified
Business-type activities	Unmodified
Aggregate discretely presented component unit	Adverse
General Fund	Unmodified
Countywide Road Fund	Unmodified
Economic Development Trust Fund	Unmodified
Solid Waste Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
  - a. Material weaknesses identified? Yes
  - b. Significant deficiencies identified? Yes
3. Noncompliance material to the financial statements noted? Yes

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2013-001. Financial data for the County's component unit should be included in the County's financial statements.

Finding

Generally accepted accounting principles require the financial data for the County's component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. As reported in the prior six years' audit reports, the financial statements do not include the financial data for the County's legally separate component unit. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component unit.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component unit for inclusion in the County's financial statements.

Board of Supervisors' Response

We will check into adding this to our financial statements.

## JASPER COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2013

#### Material Weakness

2013-002. Controls over financial statement preparation should be strengthened.

#### Finding

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures/expenses, proper classification of revenues and expenditures/expenses, proper posting of transactions, proper classification of restricted net position and fund balances, accurate reporting of debt and the inclusion of all required disclosures in the notes to the financial statements. We noted the following deficiencies in the financial statement preparation and reporting:

- a. Solid Waste cash in the amount of \$17,133 was not reported in the financial statements. This resulted in cash being understated in the amount of \$17,133 for the Solid Waste Fund and Business-type opinion units.
- b. Sub-office cash for the month of September 2013 for the Justice Court and Circuit Court offices in the amounts of \$29,743 and \$262,021, respectively, were not accrued in the financial statements. This resulted in cash being understated by \$291,764 for the General Fund and Governmental Activities opinion units.
- c. The National Forest Title III Fund and the Court Administration Fund, which are both restricted funds, were improperly classified as General Funds instead of Special Revenue Funds and therefore, should have been included as Other Governmental Funds. This resulted in the General Fund opinion unit being overstated by \$79,589 and the Aggregate Remaining Fund Information opinion unit being understated by \$79,589. A prior period adjustment was warranted between the General Fund and Other Governmental Funds in the governmental funds financial statements for this amount.
- d. The Livestock Facility Fund and Jasper County Ambulance Fund were improperly classified as Agency Funds instead of Special Revenue Funds and therefore, should have been included as Other Governmental Funds. This resulted in a fund reclassification in the amount of \$62,213.
- e. Property Tax Receivable and Deferred Revenue balances were understated by \$100,913 for the Aggregate Remaining Fund Information and Governmental Activities opinion units. This error has a net effect of zero on the revenues and fund balances/net position of these opinion units.
- f. The beginning balance for loans receivable was overstated by \$871,242. This included \$819,582 in assets which should have been included as capital leases receivable and \$51,660 in loans receivable, which were paid off in prior years. This also resulted in a prior period adjustment in the amount of \$815,493 for the related deferred revenue liability for the principal amount of the capital leases receivable.
- g. Internal balances included Agency Fund interfund loans, and therefore, were overstated by \$11,970 for the Governmental Activities opinion unit.
- h. Claims payable included claim amounts which were voided and not actually paid during the months of October and November. This resulted in claims payable being overstated by \$102,778 for the Governmental Activities and General Fund opinion units.
- i. Accrued interest payable on outstanding debt was not reported in the financial statements. This resulted in an understatement in the amount of \$39,015 for the Governmental Activities opinion unit.

## JASPER COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2013

- j. Compensated Absences were incorrectly reported as general government expenditures in the financial statements, which resulted in general government expenditures being understated by \$6,130, public safety expenditures being overstated by \$4,575, public works expenditures being overstated by \$1,481, and conservation of natural resources expenditures being overstated by \$74.
- k. The Economic Development Trust Fund was split into two funds by the financial statement preparer, thereby creating a fictitious fund. This resulted in the Economic Development Trust Fund not being reported as a major fund in the financial statements.
- l. The Beat 2 Road Fund was erroneously included in the financial statements as a major fund; however, the major fund was the Countywide Road Fund.
- m. Various miscellaneous revenues in the amount of \$72,430 were erroneously classified as interest income in the financial statements.
- n. Amounts and classifications reported for fund balances for governmental funds on the balance sheet were not correctly classified in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Failure to document calculations, as well as classifications of fund balances resulted in incorrect amounts and classification errors on the balance sheet for governmental funds.
- o. Amounts reported for several net position restrictions on the statement of net position were not correctly classified in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Failure to document calculations of net position restrictions resulted in incorrect amounts being reported on the statement of net position.

Audit adjustments to correct these errors in the County's financial statements and notes to the financial statements were proposed to management and made to the financial statements with management's approval.

#### Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures/expenses, proper classification of revenues and expenditures/expenses, proper posting of transactions, proper classification of net position and fund balances, accurate reporting of debt and the inclusion of all required disclosures in the notes to the financial statements.

#### Board of Supervisors' Response

We now have a new auditor so this matter should take care of itself.

JASPER COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2013

Material Weakness

2013-003. County signed warrants without sufficient money.

Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. Warrants were issued on funds which did not have sufficient money to pay the warrants. As of September 30, 2013, the following funds had negative cash balances in the indicated amounts.

- a. 2% Unemployment Compensation Fund - \$2,288
- b. Jasper County Medical Fund - \$120,506

Failure to have sufficient cash balances in County funds prior to issuing warrants on these funds results in other funds' cash being used for purposes other than their intended purposes. This situation could result in the Board of Supervisors being held personally liable for such amounts.

Recommendation

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Board of Supervisors' Response

We will see that funds are available in the future before issuing checks.

Material Weakness

2013-004. Processing of payroll and other payroll duties not adequately segregated.

Finding

An effective system of internal control should include adequate segregation of duties. The maintenance of the general ledger, processing of payroll and other payroll duties are not adequately segregated for effective internal control. Based upon our test work, we noted the following internal control weaknesses in the payroll function:

- a. The comptroller, who maintains the general ledger, also processes time sheets, prepares the payroll, prepares payroll checks and reconciles the payroll bank account.
- b. Time sheets are not adequately signed-off on by department heads.

Failure to have an adequate segregation of duties could result in the loss of public funds.

Recommendation

The Board of Supervisors should implement a system of internal control that will ensure that proper segregation of duties exist with respect to control of the general ledger, the processing of payroll and other payroll duties.

## JASPER COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2013

#### Board of Supervisors' Response

We will make an effort to see all time sheets are signed properly. The comptroller very seldom processes time sheets, prepares payroll checks, but in some instances due to the lack of personnel in that department she has to. But all payroll checks are signed and distributed by the Chancery Clerk and her personnel.

#### Material Weakness

2013-005. Overtime paid without proper approval.

#### Finding

An effective system of internal control over payroll expenditures should include an approval of payroll overtime recorded in the Board of Supervisors' minutes. Our payroll test work revealed two salaried employees who were paid in excess of their approved pay without proper approval or adequate justification. Upon further inquiry, it was noted these additional payments were verbally authorized by two members of the Board of Supervisors; however, no board minutes were taken to record their actions. Failure to have an adequate system of review and approval of payroll expenditures could result in the loss of public funds.

#### Recommendation

The Board of Supervisors should implement effective internal control policies that allow for the review and approval of payroll and overtime.

#### Board of Supervisors' Response

This was overlooked and not documented at the time it took place on the board minutes. Everyone was aware of it. We will be more careful to document and not just discuss in the future.

#### Material Weakness

2013-006. Cash collections and general ledger maintenance functions not adequately segregated.

#### Finding

An effective system of internal control should include an adequate segregation of duties. Cash collections and general ledger maintenance functions are not adequately segregated for effective internal control. The comptroller receipts funds, prepares all deposits, reconciles the County's bank statements, and posts the receipts to the general ledger. Failure to have an adequate segregation of duties could result in the loss of public funds.

#### Recommendation

The Board of Supervisors should implement effective internal control policies that allow for the proper segregation of duties for the cash collection and general ledger maintenance functions.

#### Board of Supervisors' Response

Due to the lack of employees in that department the comptroller sometimes has to help with these things. Most of the time Angela receipts the money, prepares the deposits and posts in the computer. Gloria, the comptroller reconciles the bank statements. The Chancery Clerk signs the receipts before they are deposited.

## JASPER COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2013

#### Material Weakness

2014-007. Recording of revenues and receivables not adequately segregated.

##### Finding

An effective system of internal control should include an adequate segregation of duties. The recording of revenues and receivables are not adequately segregated for effective internal control. The comptroller has access to the recording and receipting functions of all revenues, as well as the general ledger functions. The comptroller also prepares all deposits, makes all deposits and general ledger entries, and reconciles the bank statements. Failure to have an adequate segregation of duties could result in the loss of public funds.

##### Recommendation

The Board of Supervisors should implement effective internal control policies that allow for the proper segregation of duties for the recording of revenues and receivables and general ledger maintenance functions.

##### Board of Supervisors' Response

Most deposits and receipts are prepared by Angela. She enters them into computer, due to lack of employees, the comptroller has to assist. All receipts are checked and signed by the Chancery Clerk before going to bank.

#### Material Weakness

2013-008. Recording of expenditures/expenses and accounts payable not adequately segregated.

##### Finding

An effective system of internal control should include an adequate segregation of duties. The recording of expenditures/expenses and accounts payable for the County are not adequately segregated. The comptroller has access to invoice processing, accounts payable and the general ledger functions. The comptroller also prepares disbursements, records the cash disbursements and general ledger entries, prepares the disbursements for mailing and reconciles the bank statements. Failure to have an adequate segregation of duties could result in the loss of public funds.

##### Recommendation

The Board of Supervisors should implement effective internal control policies that allow for the proper segregation of duties in the expenditures/expenses and accounts payable functions.

##### Board of Supervisors' Response

Due to lack of personnel the comptroller occasionally helps with invoices. Angela and Sherrie enter invoices with them checking the claims docket. It is then submitted to the Board for approval with the actual writing of the check post to the ledger. Then the Chancery Clerk signs the checks looking for errors then mails them. The only thing the comptroller does is assist a little on reconciling bank statements.



JASPER COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2013

Material Weakness  
Material Noncompliance

2013-009. Controls over repayment of interfund advances should be strengthened.

Finding

The Mississippi Code is silent regarding the authority to make interfund loans. The County has interfund loans outstanding that are over one year old. These loans were made to cover indirect costs due from solid waste and to resolve cash flow problems. However, these loans were not repaid as of September 30, 2013. Failure of the Board of Supervisors to ensure payment of these loans is an illegal diversion of legally restricted funds.

Recommendation

For any interfund loan made, the Board of Supervisors should approve and record in the board minutes the reason of the loan, when the loan will be repaid and the source of funds for repayment. The Board of Supervisors should ensure these old loans are repaid by approving and recording in the board minutes a repayment schedule and complying with the repayment schedule.

Board of Supervisors' Response

We are going to make these transfers/interfund loans permanent transfers.

Material Weakness

2013-010. Deficiencies exist in recording of transactions.

Finding

An effective system of internal control over the recording of transactions should include the recording of all transactions and the proper classification of revenue and expenditures/expenses. We noted the following deficiencies in the recording of transactions:

- a. Some transactions associated with the National Forestry payments were not recorded in the County's accounting records. Payments totaling \$46,426.96 were not recorded in the accounting records resulting in revenues and related expenditure accounts being understated by this amount.
- b. Revenues and expenditures totaling \$1,000,000 related to a Development Infrastructure (DIP) Grant Program received from Mississippi Development Authority (MDA) on behalf of the Jasper County Economic Development District was recorded as loans receivables instead of revenues and expenditures resulting in revenues and expenditures/expenses in the financial statements being understated by this amount.

For the items noted above, adjustments were proposed by the auditor and made to the financial statements with management's approval.

Recommendation

The Board of Supervisors should implement a system of internal control that will ensure that all transactions are recorded in the County's accounting records and that all revenues and expenditures are properly classified.

## JASPER COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2013

#### Board of Supervisors' Response

- (a) In the future, the total amount will be deposited with the school being issued a check.
- (b) A lack of communication was the reason, we will make an attempt to fully understand the funds and their purpose in order to classify them correctly.

#### Material Weakness

2013-011. Controls over the levying of ad valorem taxes should be strengthened.

#### Finding

An effective system of internal control over the levying of ad valorem taxes should include the appropriate statute granting authority to levy taxes. During our audit procedures, we noted that the One Mill mandatory levy was erroneously authorized by law pursuant to Statute 27-39-303 rather than 27-39-329(b). Also, the Workforce Training Center Maintenance levy was authorized by law pursuant to Statute 37-31-76, which does not exist in the Mississippi Code. The failure to cite the appropriate statute to authorize the levying of ad valorem taxes could result in the County having a tax levy for unauthorized purposes and/or the possibility of collecting incorrect amounts from taxpayers.

#### Recommendation

The Board of Supervisors should cite the appropriate statute from the Mississippi Code to authorize the levying of taxes for each tax levy.

#### Board of Supervisors' Response

We are working with the Board Attorney to correct these problems and mistakes. This will be fixed on the next tax levy.

#### Material Weakness

2013-012. County should cite specific authority from the Mississippi Code for each tax levy imposed.

#### Finding

The specific authority from the Mississippi Code should be cited for each tax levy included in the County's ad valorem tax levy. The Board of Supervisors approved the fiscal year ended September 30, 2013 tax levy without citing the specific authority from the Mississippi Code for the following purposes:

- a. District One Interest and Sinking
- b. District Two Interest and Sinking
- c. District Three Interest and Sinking
- d. District Four Interest and Sinking
- e. District Five Interest and Sinking
- f. East Jasper County School District Bonds
- g. West Jasper County School District Bonds

The failure to cite the specific state to authorize the levying of ad valorem taxes could result in the County levying taxes for unauthorized purposes and/or collecting incorrect amounts from taxpayers.

## JASPER COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2013

#### Recommendation

The Board of Supervisors should cite the specific state to authorize the levying of ad valorem taxes from the Mississippi Code for each county levy imposed.

#### Board of Supervisors' Response

The code sections have been added to the tax levies for a, b, c, d and e. F and g will be added to future tax levies.

#### Material Weakness

2013-013. Current refunding of bonds do not include required economic gain or loss statement.

#### Finding

Generally accepted accounting principles require current refunding of bonds which occur during the reporting period, to be disclosed in the notes to the financial statements. This required note disclosure should provide a general description of the transaction, the difference in cash flows (refunding v. no refunding), and the economic gain or loss. The County issued four (4) current refunding bonds during the fiscal year ended September 30, 2013. None of these issues provided an economic gain or loss statement, as required by generally accepted accounting principles. The failure to properly follow generally accepted accounting principles resulted in an incomplete required note disclosure in the notes to the financial statements for the current refunding of bonds.

#### Recommendation

The Board of Supervisors should ensure that all refunding bonds issued provide the proper information needed for the financial statement note disclosure, as required by generally accepted accounting principles.

#### Board of Supervisors' Response

We will have our attorneys get the information required on future bond issues.

#### Material Weakness

#### Material Noncompliance

2013-014. The Board of Supervisors should evidence in its minutes the substantial savings and/or benefits when issuing refunding bonds.

#### Finding

Sections 31-15-1 through 31-15-19, Miss. Code Ann. (1972), also referred to as the "General Refunding Law of 1934", states that the Board of Supervisors may issue general obligation bonds for the purpose of refunding the County's outstanding bonded indebtedness. While there is no express threshold for required savings in the "General Refunding Law of 1934", it is of the opinion, per the Mississippi Attorney's General Opinion Number 2014-00052, that the refunding bonds should result in a substantial savings to the County. Furthermore, if other circumstances arise that necessitate the refunding of bonds which may not result in savings, the refunding of bonds should result in some other benefit to the County. The Board of Supervisors should document and record these savings and/or benefits which will result from the refunding of the bonds on its minutes. During the audit test work, it was noted that the County did not document or record on its minutes the savings and/or benefits for four (4) current refunding bonds issued during the fiscal year ended September 30, 2013. The failure to evidence said substantial savings and/or benefits in the minutes resulted in noncompliance of the law.

## JASPER COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2013

#### Recommendation

The Board of Supervisors should ensure that all refunding bonds issued under the “General Refunding Law of 1934” provide the required documentation in its minutes which evidences the substantial savings and/or benefits resulting from the refunding of general obligation bonds.

#### Board of Supervisors’ Response

We will in the future be more careful to do this first.

#### Significant Deficiency

2013-015. The County should expire all individual passwords on a periodic basis.

#### Finding

A review of the County’s security settings revealed that some user’s passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by the County using best business practice guidelines.

#### Recommendation

We recommend that a policy be implemented to ensure that passwords are expired on a regular basis. In addition, the County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

#### Board of Supervisors’ Response

I have no knowledge of any passwords expiring. We delete or disable passwords when employees retire, quit or are terminated but they are not set to expire.

#### Significant Deficiency

2013-016. The County should implement a formal information security policy.

#### Finding

The County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internet protocol.

#### Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity / Disaster Recovery

## JASPER COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2013

While full compliance with all facets of such a policy may be an economic challenge for the County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that the County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by County supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

For further classification, simply saying passwords need to be strong is not sufficient. In this case, the policy should state that passwords should be at least 8 characters for normal users and 13 characters for those users that have elevated privileges. In addition, complexity requiring numbers and special characters should also be specified.

#### Board of Supervisors' Response

We will begin to work on these issues with our IT person to establish better practices and manuals.

#### Significant Deficiency

2013-017. The County should create a rotation of backups offsite.

#### Finding

The County is currently using an automated system to perform daily back-ups of the AS400. Upon clarification of the backup processes, it was determined that the tapes should be taken offsite, as no other copy of the County data was being stored at an offsite location. Without proper offsite storage of back-up files and applications, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

#### Recommendation

We recommend that the County implement a plan to ensure that all back-up files are taken offsite on a regular basis and stored in a safe and secure location. This process should be documented in the County's Disaster Recovery Plan. With close proximity of a bank, it would be convenient and safe to place the back-up tapes in the night deposit drop and then place them in a safe deposit box the next day. It is further recommended that tapes be kept at the bank for several days (e.g., two weeks), in case of a disaster situation that required recovery and problems in reading recovery tapes were experienced.

#### Board of Supervisors' Response

We are working with our IT person to have a complete offsite backup with a company. We will work to store these in a better place.

#### Significant Deficiency

2013-018. Failure to have fraud prevention policy.

#### Finding

As reported in the prior eight years' audit reports, the Board of Supervisors does not have a fraud prevention policy in place for employees. Failure to have an adequate prevention policy could result in the occurrence of fraud.

JASPER COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2013

Recommendation

We recommend that the Board of Supervisors develop a written fraud prevention policy and incorporate this into its employee handbook.

Board of Supervisors' Response

We are in the process of establishing a new handbook and will look into adding a new fraud prevention policy.

Chancery Clerk.

Significant Deficiency

2013-019. Bank deposits should be made in a timely manner.

Finding

An effective system of internal controls over cash should include timely deposits of funds. During our testing of the Chancery Clerk's receipts, it was noted that bank deposits are not being made in a timely manner, which is a deficiency of internal control. The failure to implement proper controls could result in the loss or misappropriation of public funds.

Recommendation

The Chancery Clerk should ensure that bank deposits are made in a timely manner.

Chancery Clerk's Response

This has already been addressed months ago. I did not have enough time and now me and a deputy does them to keep them current.

Inventory Control Clerk.

Material Weakness

2013-020. Inadequate controls over the inventory control system.

Finding

Effective internal controls over capital assets include developing and maintaining a complete and accurate inventory control system. As reported in the prior nine years' audit reports, capital asset control procedures were inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation and completeness of capital assets. We noted the following deficiencies in the capital asset records:

- a. Infrastructure was not recorded by the County for the current fiscal year.
- b. Three (3) assets totaling \$324,065 were purchased during the year, which were not added to the County's capital asset records.
- c. Two (2) assets totaling \$439,000 were sold during the year, which were not deleted from the County's capital asset records.
- d. Depreciation is being calculated incorrectly on an unknown number of assets, which have been transferred between funds or departments.
- e. Construction in progress totaling \$476,899 was not recorded in previous years, resulting in a prior period adjustment.
- f. Construction in progress totaling \$1,724,725 was not recorded in fiscal year 2013.

## JASPER COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2013

Therefore, the Independent Auditor's Report includes a qualified opinion on the Governmental Activities. The failure to maintain an effective inventory controls system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

#### Recommendation

The Inventory Control Clerk should establish adequate control procedures to maintain accurate inventory records documenting the existence, valuation, and completeness of capital assets. Construction in progress reports should be prepared and used to include current fiscal year additions in the capital asset listing. Depreciation should be calculated in accordance with state guidelines.

#### Inventory Control Clerk's Response

The County Engineer will begin to submit the necessary reports to the Board of Supervisors on the progress in construction in progress. Depreciation will be checked and corrected. We will correct communication issues in order to eliminate errors.

Justice Court Clerks.

#### Material Weakness

2013-021. Internal controls in the Justice Court Clerks' offices should be strengthened.

#### Finding

An effective system of internal control over the collection, recording and disbursement of cash should include timely settlement of funds, reconciliation of bank accounts, and adequate segregation of duties. The following deficiencies were noted:

- a. In both District One and District Two, only one person receipts money, prepares deposits, maintains the cash journals, reconciles the bank statements, calculates the monthly settlements and disburses all funds.
- b. In District One, monthly collections are not settled to the County's General Fund in a timely manner.
- c. In District One, reconciliation of bank accounts were not being accurately prepared each month to corresponding cash journals.

Failure to implement controls over the collection, recording and disbursement of cash, and the lack of adequate segregation of duties could result in the loss or misappropriation of public funds.

#### Recommendation

The Justice Court Clerks should implement effective internal control policies that allow for the proper segregation of duties with respect to the collection, recording and disbursement of cash.

#### Justice Court Clerks' Response

District One bank reconciliations and settlements will start being done on a monthly basis. The Board will implement controls for the segregation of duties in these offices as best we can due to the lack of personnel.

## JASPER COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2013

Sheriff.

#### Significant Deficiency

2013-022. Internal controls in the Sheriff's Office should be strengthened.

##### Finding

An effective system of internal control over the accounting for the collection, recording and disbursement of cash should include an adequate segregation of duties. The bookkeeper receipts process and bond fees, prepares bank deposits, takes deposits to the bank, posts receipts to the cash journal, prepares the bank reconciliations, and prepares the monthly settlement of fees to the County. Failure to have an adequate segregation of duties over the collection, recording and disbursement of cash could result in the loss or misappropriation of public funds.

##### Recommendation

The Sheriff should implement effective internal control policies that allow for the proper segregation of duties with respect to the collecting, recording and disbursing of cash.

##### Sheriff's Response

1. We will make change by having someone make deposit at bank.
2. We will make change by allowing someone else to sign check.
3. We will work on implement effective control policies.

Solid Waste Clerks.

#### Significant Deficiency

2013-023. Monthly bank reconciliations should be performed and cash journal maintained.

##### Finding

An effective system of internal control in the Solid Waste offices should include monthly bank reconciliations and proper maintenance of cash journals. We noted that the Solid Waste Clerks in both District One and District Two are not properly maintaining cash journals and reconciling the solid waste bank statements. Failure to prepare monthly bank reconciliations and maintain cash journals could result in the loss or misappropriation of public funds.

##### Recommendation

The District One and District Two Solid Waste Clerks should ensure that monthly bank reconciliations are prepared each month and maintain cash journals.

##### Solid Waste Clerks' Response

In the future, this will be done in a timely manner, with journals up to date.



## JASPER COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2013

#### Material Weakness

2013-024. Controls over cash collections and disbursements in the Solid Waste offices should be strengthened.

##### Finding

An effective system of internal controls should include an adequate segregation of duties. The cash collections and disbursement functions in both the District One and District Two Solid Waste offices were not adequately segregated for effective internal controls. The Solid Waste Clerks receipt all collections, prepare daily check-up sheets, deposit monthly settlements, take deposits to the bank, post to computerized system, and write checks for all disbursements. Failure to implement adequate segregation of duties could result in the loss or misappropriation of public funds.

##### Recommendation

The Solid Waste Clerks should take steps to ensure that there is an adequate segregation of duties in the collection and disbursement functions in the Solid Waste offices or that there is external oversight over the operations in the Solid Waste offices.

##### Solid Waste Clerks' Response

District Two has already made changes to have the deputy clerk to make the daily deposits for solid waste receipts and take to bank.

District One is carried to bank by solid waste director. The deputy clerk is to make deposits but due to small amount of employees – total segregation of duties is not possible. We will continue to strive to make the necessary changes.

#### Tax Assessor-Collector.

#### Material Weakness

2013-025. The distribution of funds report was not prepared.

##### Finding

The Tax Collector must prepare a report at September 30<sup>th</sup> each year identifying the distributions of all funds held by the respective official in order to include these in the financial statements of the County. This report should specify the revenues that are due to the General Fund, other funds, state governments or others, and should be submitted to the Chancery Clerk by October 31<sup>st</sup> of each year. The Tax Collector did not prepare the Distribution of Funds report for September 30, 2013. By not preparing this report, there could be a risk of funds being misclassified in the financial statements.

##### Recommendation

The Tax Collector should prepare the Distribution of Funds report at September 30<sup>th</sup> of each year.

##### Tax Collector's Response

I understand this finding and will comply in the future.

JASPER COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2013

Circuit Clerk.

Significant Deficiency

2013-026. Internal controls over cash collections in the Circuit Clerk's office should be strengthened.

Finding

An effective system of internal control should include adequate physical safeguards over cash collections. Based upon audit procedures performed, adequate control procedures were not in place over the collection of cash. The Circuit Clerk maintains only one cash drawer, which is used by three separate deputy clerks for the collection of funds. Failure to maintain separate cash drawers for each deputy could result in the loss of public funds.

Recommendation

The Circuit Clerk should implement a system of internal control over cash collections to ensure that all deputy clerks maintain separate cash drawers.

Circuit Clerk's Response

To correct this finding I have implemented a new policy for each deputy clerk to have their own individual lockable cash drawer in which they have sole control of.